

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00
LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-01 L-03 NSC-05
PA-01 PRS-01 SS-15 USIA-06 /085 W
-----150708Z 053532 /21

P R 150600Z JAN 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC PRIORITY 6117
INFO USMISSION EC BRUSSELS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMCONSUL ADANA

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E.O. 11652: N/A
TAGS: ECON, PINT, TU
SUBJECT: COALITION DIFFICULTIES OVER 1977 TRADE REGIME AND
TURKEY-EC RELATIONS

1. SUMMARY: DURING PAST TWO WEEKS, CONTROVERSY BETWEEN
NATIONAL SALVATION PARTY AND JUSTICE PARTY MINISTERS OVER 1977
TRADE REGIME, INCLUDING TARIFF CONCESSIONS TO EC AND THIRD
COUNTRIES HAS BECOME MAJOR POINT OF DIFFERENCE AFFECTING GOVERN-
MENT COALITION ITSELF. TRADE REGIME WHICH IS TRADITIONALLY
ISSUED ON JANUARY 4 HAS NOT YET BEEN RELEASED AND THERE HAVE
BEEN ALMOST DAILY COUNCIL OF MINISTERS MEETINGS ATTEMPTING TO
EFFECT COMPROMISE. MAJOR POINTS AT ISSUE ARE (1) IMPORT QUOTA
WITHIN TRADE REGIME WHICH IS TO BE GRANTED TO NSP-DOMINATED
MINISTRY OF INDUSTRY AND CERTAIN NSP-LED STATE ECONOMIC
ENTERPRISES AND, (2) CONCESSIONS GRANTED LIBERALIZED GOODS
LIST TO EC AND THIRD COUNTRIES UNDER 12 AND 22 YEAR LISTS
OF 1970 EC-TURKEY ANNEX PROTOCOL. IN GENERAL, JUSTICE
PARTY MINISTERS INSIST THAT TRADE REGIME IS SEPARATE FROM
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QUESTION OF EC-TURKEY CONCESSIONS WHILE DEPUTY PRIME MINISTER
ERBAKAN CLAIMS THAT OVERALL ISSUE OF EC-TURKEY CONCESSIONS
MUST BE DEALT WITH WITHIN THE 1977 TRADE REGIME. END
SUMMARY.

2. COUNCIL OF MINISTERS DECREE ON NEW TURKISH TRADE
REGIME SETTING IMPORT AND EXPORT POLICY FOR COMING YEAR

IS TRADITIONALLY PUBLISHED IN OFFICIAL GAZETTE ON JANUARY 4. IN PREVIOUS YEARS, REGULATIONS AND IMPORT LISTS HAVE BEEN DRAWN UP BY TECHNICIANS AT TRADE MINISTRY BASED ON REQUIREMENTS OF ANNUAL PROGRAM AND FIVE YEAR PLAN INVESTMENT GOALS. REGIME SINCE 1970 HAS REFLECTED STEADY INCREASE IN TRADE LIBERALIZATION FOR BOTH EC AND THIRD COUNTRIES. DECREE ISSUED BY COUNCIL OF MINISTERS HAS GENERALLY BEEN PRO-FORMA RUBBER-STAMPING OF PREVIOUS WORK DONE BY FINANCE AND TRADE MINISTRIES AND STATE PLANNING ORGANIZATION.

3. THIS YEAR, HOWEVER, REGIME HAS RUN HEAD-ON INTO DIFFERENCES OF VIEW BETWEEN NSP AND JP ON INDUSTRIAL DEVELOPMENT. PROBLEM HAS ALSO AFFECTED THE 1977 ANNUAL PROGRAM, THE 1977 BUDGET AND PLANNING FOR THE FOURTH FIVE YEAR PLAN (1978-82). ERBAKAN HAS SUCCEEDED IN GETTING MANY OF HIS FAVORITE PROJECTS INCORPORATED INTO ANNUAL PROGRAM AND CONSIDERED FOR INCORPORATION INTO FOURTH FIVE YEAR PLAN AT SOME COST TO FINANCIAL VIABILITY OF TURKISH BUDGET. IN ADDITION, DISSATISFACTION WITHIN TURKEY WITH EC CONCESSIONS IS BEING USED BY NSP AS CLUB TO BEAT DEMIREL IN ORDER TO OBTAIN DOMESTIC ECONOMIC CONCESSIONS DESIRED BY ERBAKAN.

4. DEMIREL AND ERBAKAN IN PAST FEW MONTHS HAVE BEEN ENGAGED IN VIRULENT IMPLICIT AND SOMETIMES EXPLICIT CAMPAIGN TO CONVINCE ELECTORATE THAT EACH IS BEST QUALIFIED TO LEAD MAMMOTH INDUSTRIAL EXPANSION PLANNED FOR "GREAT TURKEY" OVER NEXT SIX YEARS. ERBAKAN AS PRICE OF COALITION STABILITY HAS ACCUMULATED CONSIDERABLE POWER IN FIELD OF INDUSTRIAL DEVELOPMENT AND HAS USED NSP MINISTRY OF INDUSTRY TO PROMOTE COSTLY INDUSTRIAL LIMITED OFFICIAL USE

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PROJECTS OUTSIDE NORMAL PLANNING PROCEDURES OF STATE PLANNING ORGANIZATION.

5. WITH ELECTION APPROACHING, HOWEVER, ERBAKAN IS FACED WITH NECESSITY OF DELIVERING ON PROMISES HE HAS MADE AND FOUNDATIONS HE HAS LAID. WHILE DEMIREL HAS MADE MAJOR CONCESSIONS TO ERBAKAN IN BOTH THE 1977 BUDGET AND 1977 PROGRAM, MOST APPEAR TO BE PAPER CONCESSIONS ONLY SINCE ALL-IMPORTANT FUNDING AUTHORITY REMAINS BY LAW WITH MINISTRY OF FINANCE, HELD BY A KEY DEMIREL PROTEGE. SIMILARLY, ON QUESTION OF IMPORT QUOTAS FOR CAPITAL GOODS NEEDED BY ERBAKAN PROJECTS, IMPLEMENTATION OF TRADE REGIME IS UNDER AUTHORITY OF TRADE MINISTER BASOL, ANOTHER DEMIREL MAN. ERBAKAN APPEARS TO REALIZE, THEREFORE, THAT HE MUST FORCE DEMIREL TO ALLOCATE SPECIFIC QUOTAS AND FUNDING TO NSP PROJECTS RATHER THAN TAKE A CHANCE THAT IN LATE 1977 IMPORT AND BUDGET MIGHT NEED TO BE CUT FOR ECONOMIC REASONS. ANY BUDGET CUTS WOULD ALMOST CERTAINLY BE TAKEN IN LARGE MEASURE FROM PET ERBAKAN PROJECTS.

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6. ERBAKAN AND NSP ALSO APPEAR TO BE PLAYING ON TURKISH DISSATISFACTION WITH EC PACKAGE OF CONCESSIONS ACCEPTED BY TURKISH GOVERNMENT ON DECEMBER 20, 1976. ERBAKAN INSISTS THAT CONCESSIONS ARE INSUFFICIENT AND THAT PROGRESSIVELY MORE LIBERALIZED TRADE REGIME CANNOT BE ISSUED SINCE IT WOULD BENEFIT EC AT EXPENSE OF TURKISH INDUSTRIAL DEVELOPMENT.

7. BOTH MINISTER OF FOREIGN AFFAIRS CAGLAYANGIL AND MINISTER OF TRADE BASOL HAVE REACTED VIGOROUSLY TO NSP TACTICS. CAGLAYANGIL, WHILE ADMITTING EC CONCESSIONS ARE NOT SUFFICIENT, HAS DEFENDED COMPROMISE AND INSISTS THAT GOVERNMENT IS PREPARING POSITION PAPER FOR NEXT TURKEY-EC COUNCIL MEETING IN LATE 1977. THE FOREIGN MINISTER HAS POINTED OUT THAT TURKEY HAS BEEN AN ASSOCIATE MEMBER OF THE EC SINCE 1963 AND THAT SUCCESSIVE GOVERNMENTS HAVE PROGRESSIVELY DEEPENED THIS RELATIONSHIP. DISCUSSIONS NOW GOING ON AT COUNCIL OF MINISTERS ON TRADE REGIME AND EC CONCESSIONS, ACCORDING TO FOREIGN MINISTER, CANNOT BE CARRIED OUT AS THOUGH TURKEY COULD RETURN TO DAYS OF 1963, BUT MUST FOCUS
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ON UNITED POLICY DEMANDS TURKEY WILL PRESENT TO EC DURING NEXT TURKEY-EC COUNCIL MEETING. BASOL IN TURN HAS STRONGLY CRITICIZED HOLD-UP IN ISSUANCE OF TRADE REGIME, ARGUING THAT IMPORTS HAVE COME TO A HALT AND INVESTMENT PROGRAMS WILL BEGIN TO SUFFER. BASOL HAS INSISTED THAT TRADE REGIME IS ONE PROBLEM, EC CONCESSIONS ANOTHER, AND THAT PRESENT DELAYING TACTICS BOTH DAMAGE TURKEY'S INTERNAL ECONOMY AND FOREIGN RELATIONS.

8. DEMIREL HAS ATTEMPTED TO GLOSS OVER THE COALITION DISAGREEMENT ON TRADE REGIME AND EC CONCESSIONS. AFTER COUNCIL OF MINISTERS MEETING ON JANUARY 13, HE STATED THAT MINISTERS WERE REVIEWING LONG-TERM TURKISH ECONOMIC POLICY RE TRADE AND INVESTMENT REQUIREMENTS FOR NEXT 10 YEAR PERIOD. IN TIS CONTEXT, IT WAS NATURAL THAT BOTH TRADE REGIME AND RELATIONS WITH THE EC WOULD BE OF PRIME IMPORTANCE. DEMIREAL SAID THE COUNCIL OF MINISTERS WORK AT THIS TIME WAS TECHNICAL AND THAT POSSIBLE POLITICAL IMPLICATIONS WOULD NOT BE APPARENT FOR SOME TIME. WHILE THERE WERE, SAID DEMIREL, MANY PEOPLE LOOKING FOR FRICTION BETWEEN THE JP AND THE NSP, IN REALITY "THERE IS NO FRICTION".

9. DEMIREL'S INSISTENCE THAT THERE IS NO FRICTON APPEARS TO BE CLEARLY OVERSTATED AS CAN BE SEEN FROM ERBAKAN'S STATEMENT AT HIS JANUARY 8 PRESS CONFERENCE THAT "WHILE POLITICAL STABILITY WAS VERY IMPORTANT, IT COULD NOT BE ACHIEVED AT THE EXPENSE OF THE NATIONAL INTEREST". ERBAKAN SAID HE COULD NOT "BEAR TO BE THE SERVANT OF EC MASTERS FOR THE SAKE OF POLITICAL STABILITY". THUS, WHILE IT IS PROBABLY ACCURATE TO SAY THAT STRUGGLES OF PARTNERS OVER SHARE OF ECONOMIC RESOURCES THREATENS COALITION, EC-TURKEY RELATIONSHIP CAN ALSO BE SEEN AS FURTHER THREAT TO COALITION UNITY.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, COALITION GOVERNMENT, DISPUTES, POLITICAL PARTIES, TARIFF CONCESSIONS, REGIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ANKARA00330
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770015-1147
Format: TEL
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770149/aaaabqfi.tel
Line Count: 202
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a92171d9-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3589216
Secure: OPEN
Status: NATIVE
Subject: COALITION DIFFICULTIES OVER 1977 TRADE REGIME AND TURKEY-EC RELATIONS
TAGS: ECON, PINT, TU, EEC
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/a92171d9-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009